

Message Text

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TO AMEMBASSY LONDON IMMEDIATE

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C O N F I D E N T I A L STATE 220011

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TAGS:MARR, MASS, MILI, PARM, US, UK, NATO

SUBJECT:US-UK MOU AND SUB-HARPOON OFFSET

REF: A. LONDON 2831; B. USNATO 4272

1. REGINALD ANDERSON, ASSISTANT UNDER SECRETARY OF STATE, SALES, UK MINISTRY OF DEFENCE, AND BRUCE AIREY, DEFENSE SUPPLY COUNSELLOR, UK EMBASSY, WASHINGTON, HAD A ROUND OF TALKS IN THE PENTAGON, INCLUDING A MEETING WITH MR. ROBERT ELLSWORTH, ASSISTANT SECRETARY OF DEFENSE, ISA ON SEPTEMBER 3 ON THE US-UK MOU AND ON SPECIFIC OFFSET FOR SUB-HARPOON.

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2. BOTH SIDES AGREED THERE NEED BE NO CONFLICT BETWEEN THE US-UK MOU AND THE BROADER EFFORT TO ACHIEVE RATIONALIZATION/STANDARDIZATION IN NATO AS A WHOLE, AND THAT THE US-UK BILATERAL ARRANGEMENT WOULD BE SUBSUMED BY ANY NATO ARRANGEMENT THAT COMES INTO EFFECT. IT WAS AGREED TO ADD THE FOLLOWING LANGUAGE TO THE LAST SENTENCE OF THE LAST PARAGRAPH OF THE MOU PREAMBLE: QUOTE THIS MEMORANDUM IS INTENDED TO FIT INTO THE BROADER CONTEXT OF NATO RATIONALIZATION/STANDARDIZATION AND TO BE COMPATIBLE WITH ANY NATO ARRANGEMENT THAT MIGHT SUBSEQUENTLY BE NEGOTIATED. UNQUOTE. WE BELIEVE THIS LANGUAGE SHOULD TAKE CARE OF CONCERN EXPRESSED PARA 1A

REFTEL B.

3. IN OUR VIEW, MOU'S PUTTING EQUIPMENT OFFSET ON LONG-TERM, RATHER THAN CASE-BY-CASE, BASIS WILL NOT BE AT EXPENSE OF COST-EFFECTIVENESS AND STANDARDIZATION. FIRST PARA OF MOU PREAMBLE RESTATES THESE PRINCIPLES, SECTION A, PARA 2C (III) OF MOU RESERVES TO US CONTRACTING OFFICER THE RIGHT TO DETERMINE WHETHER A UK CONTRACTOR IS QUALIFIED AND SECTION A, PARA 2C (IV) PROVIDES THAT UK BIDS WILL MEET TEST OF PERFORMANCE, QUALITY, DELIVERY, AND COST. US OFFICIALS, MOREOVER, HAVE ON NUMEROUS OCCASIONS MADE IT CLEAR TO THE BRITISH THAT US PURCHASES OF THEIR EQUIPMENT WOULD HAVE TO MEET THESE CRITERIA.

4. IN NEGOTIATIONS ON MOU, BOTH SIDES HAVE AGREED THAT MOU WILL BE IMPLEMENTED BY ADMINISTRATIVE AGREEMENTS, TO INCLUDE NOT ONLY RECIPROCAL DEFENSE PURCHASING, BUT ALSO RESEARCH, DEVELOPMENT AND PRODUCTION. WITH THE NEW LANGUAGE IN THE PREAMBLE OF MOU, THE WAY IS OPEN FOR NATO TO SUBSUME US-UK BILATERAL COOPERATION IN THESE AREAS.

5. WE EXPRESSED CONCERN TO ANDERSON AND AIREY ABOUT POSSIBLE ADVERSE IMPACT BILATERAL MOU MIGHT HAVE ON FRENCH AND OTHER NATO ALLIES AND ON OUR BROADER EFFORT AT NATO-WIDE RATIONALIZATION/STANDARDIZATION. WE SUGGESTED THAT UK NOTIFY THE EUROGROUP AND FRANCE BEFORE THE MOU IS SIGNED UK REPS AGREED THAT NOTIFICATION SHOULD COVER THE UK-FRANCE MOU AS WELL AS THE MOU WITH THE US. ANDERSON THOUGHT THAT CONFIDENTIAL

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UK MIGHT DO THIS BY LETTER. REQUEST EMBASSY APPROACH HMG IN LONDON TO REITERATE OUR VIEW ON DESIRABILITY OF ADVANCE NOTIFICATION, AND TO SUGGEST THAT (1) IN LIGHT OF POSSIBLE SENSITIVITY OF ALLIES, NOTIFICATION OF US-UK MOU, ESPECIALLY TO FRANCE, SHOULD BE BY MEANS OF PERSONAL DISCUSSION/CONSULTATION RATHER THAN BY LETTER; AND (2) THAT UK COORDINATE WITH US ON THE MAIN CONTENT OF THEIR PRESENTATION TO THE EXTENT TIME PERMITS, BEARING IN MIND THAT US

MAY BE ASKED FOR COMMENTS ON THE MOU BY OTHER ALLIES. IF CONSULTATION WITH ALLIES PROVES SATISFACTORY, SECRETARY SCHLESINGER AND MOD MASON WOULD SIGN THE MOU WHEN THEY MEET IN LONDON ON 24 SEPTEMBER.

6. ON QUESTION OF QUOTE EQUITABLE UNQUOTE BALANCE, ANDERSON REPEATED UK DESIRE FOR QUOTE REASONABLE UNQUOTE OFFSET, WHICH HE DEFINED AS BETTER THAN 10:1, BUT NOT AS GOOD AS 1:1. WE POINTED OUT DIFFICULTIES OF GETTING STATUTORY RESTRICTIONS OTHER THAN BUY AMERICA REMOVED, THE WISDOM OF MOVING CAREFULLY IN THIS AREA, AND THE NEED TO WORK OUT THE PROBLEM OF THE BALANCE AS WE GO ALONG. BOTH SIDES AGREED ON THE DESIRABILITY OF HOLDING A STATISTICAL REVIEW

OF BALANCE EVERY SIX MONTHS.

7. OTHER AGREED TEXTUAL CHANGES OF MOU ARE AS FOLLOWS:

A. SECTION A, PARAGRAPH 1, LAST SENTENCE, DELETE QUOTE TO BE DETERMINED TAKING INTO ACCOUNT THE RESPECTIVE DEFENSE PRODUCTION EFFORTS OF THE TWO COUNTRIES UNQUOTE AND IN LIEU THEREOF INSERT QUOTE TO BE MUTUALLY DETERMINED UNQUOTE.

B. SECTION A, PARAGRAPH 2(C) I DELETE QUOTE EXTENT SUCH LAWS AND REGULATIONS MAY BE WAIVED UNQUOTE AND IN LIEU THEREOF INSERT QUOTE CONSISTENT WITH NATIONAL LAW AND REGULATIONS UNQUOTE .

C. SECTION A, PARAGRAPH 2(C) III, ADD QUOTE IN EACH OTHER'S COUNTRY IN ACCORDANCE WITH THE POLICIES AND CRITERIA OF THE PURCHASING OFFICE UNQUOTE.

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8. IN DISCUSSIONS ON SUB-HARPOON, ANDERSON NOTED THAT WHILE OFFSET FOR SUCH PURCHASES WOULD NORMALLY BE TAKEN CARE OF BY MOU, HMG WOULD BE DECIDING WHETHER TO BUY SUB-HARPOON OR SUB-MARTEL IN A FEW DAYS, BEFORE THE MOU IS SIGNED, AND THEREFORE NEEDS A SPECIFIC OFFSET COMMITMENT FOR SUB-HARPOON PURCHASE. A DECISION IN FAVOR OF SUB-HARPOON WOULD POSE DIFFICULTIES FOR THE UK AND HE HAD THUS BEEN INSTRUCTED TO REQUEST A US COMMITMENT TO 50 PER CENT OFFSET. MR. ELLSWORTH WAS UNABLE TO ACCEPT THIS LEVEL, BUT DID OFFER TO ACHIEVE THE MAXIMUM OFFSET POSSIBLE, WITH A FLOOR OF 30. HE SUGGESTED THAT SECRETARY MASON COULD USE THIS OFFER, TOGETHER WITH THE FORTHCOMING MOU, TO DEFEND A SUB-HARPOON SELECTION BEFORE PARLIAMENT.

9. EMBASSY SHOULD FOLLOW UP ON PRESENTATION PROBLEM MEN-

TIONED PARA 5, ABOVE, AND REAFFIRM TO BRITISH IMPORTANCE
WE ATTACH TO THEIR NOTIFYING EUROGROUP AND THE FRENCH BE-
FORE MOU IS SIGNED. COPY OF DRAFT MOU BEING POUCHED
EMBASSY LONDON AND USNATO. SISCO

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